G. R. S. IX-5]

Previous references.

G752-19

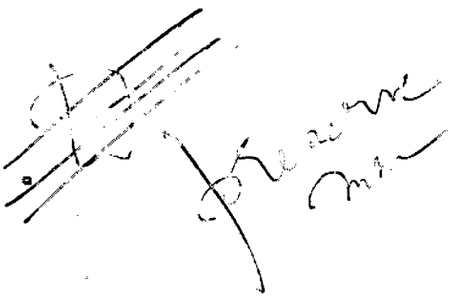
1920

57 File No. 266-1K

Serial Nos. 172

(57)

Later references.



GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 172

Part B for July 1920

SUBJECT.

Completion of Upgate Asylum Loan

From Comptroller reg 7th Bowles 3471 8/7-6-19

Reports that 4½ debentures of the total of £203,383/- have been purchased

G. R. S. III—1] 1918 9

GENERAL AND REVENUE SECRETARIAT.

(G 7)

NOTES.

G 7 File No. 246-18

FILE HEADING.

Redemption of Mysore Railway Loan.

From The Comptroller

No. 3365 Dated 5. 6. 19 Received 7. 6. 19

Diary No. 3269	Enclos. 1	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

In continuation of his report no 1715/12 15. 12. 18. States that the Railway Debentures of the value of £ 30000/ have been purchased & the total for Charges up & date amounts to £ 29,888

NOTES AND ORDERS.

Subs [within the Maximum rate - 77. 5d.].

14/6 Secy for sign

18
26/6/19

NOTES—First Sheet.

WD 1232—GPB—20,000—18-11-18

3361

R. S. III-2½

General and Revenue Secretariat.

97 File No. 246 of 1918.

Serial No. 2.

From the Comptroller
In Books 24/7/18. 19.6.19
Reports that the Ry. Debentures
of the face Value of £800. have
been purchased & that the
total purchase amount is
£ 208.380/.
The total is abright
Please see previous page

Sd/-
for
27/6 Dewan). Initials 28/6

See Y
the policy of purchasing
should be received

Cipher)
862/Books.

The total stock of the Southern Mahratta Railway Debentures held by Messrs. Coutts & Co, on our behalf at the end of June 1919 was £2,09,380 which is nearly 17.45 per cent of the total amount of the debenture loan of £1,200,000. The purchase of this stock commenced over two years ago but was discontinued for some time in the middle, as the cash balance with Messrs.

DEWAN'S OFFICE.
Recd. on JUN 30 1919
Reg. No. 8359.

NOTE—Contn. sheet.

Serial No.

Messrs. Coutts & Co., did not admit of any purchase then. Subsequently an arrangement was arrived at with the London Bankers under which they have general authority to continue to purchase these debentures at a price not exceeding 77% of their face value and the Bankers have agreed to allow overdrafts on this account, on the Government account with them, on the security of the Debentures themselves.

2. The price paid till now for this stock has varied from 71¼% to 77% of its face value and the purchase has been latterly very slow, there having been no additions to the stock from December 1918 to May 1919. The market price quoted for the stock in the "London Times" is about 73%, although it would appear that only small quantities of this Stock were offered for sale. Since the beginning of the current official year further purchases have been made raising the total of this stock to £2,21,880 (Vide details in statement annexed)*.

* Flag A.

3. The face value of the Rupee Securities so far purchased and held for the Sinking Fund is £1,09,94,000 which taken at current market value fetches Rs.71,38,134 or £5,35,360 at 1s. 6d. the rupee.

The face value of Railway Debentures held is £ 2,21,880
= 7,57,240

~~The amount required to fully repay the Loan of £12,00,000 is £ 4,42,760.~~

NOTE—Contn. sheet.

(4

G. R. S. III-2)

General and Revenue Secretariat. | G. & File No. 246 of 1918.

Serial No.

4. The advantages to the State in investing the receipts of the Sinking Fund in these debentures have been explained in detail in Mr. Datta's notes of 12th February 1917 and 7th June 1917. The purchase is very desirable from the point of view of a profitable investment to the receipts of the Fund. As the debentures are repayable at par at the time the Mysore Railway Debenture Loan is due for redemption, there is no question of any loss or depreciation to be made good by the State as in the case of other securities and to the extent these purchases are made, the debenture loan may be regarded as practically discharged. This investment also presents no exchange difficulties between the Indian and Sterling currencies as the investment is made out of balances held in England and the debentures purchased represent the portion of the sterling loan discharged. This purchase also affords at present a ready means of profitably investing at least a portion of the accumulated balance with Messrs. Coutts & Co., till such time as it can be transferred to India. Mr. Datta has calculated that the investment in these debentures is profitable even if we have to borrow funds for the purpose at the current rates of interest. The only loss incurred thereby

NOTE—Contn. sheet.

Serial No.

thereby represents the difference between the interest earned on these debentures and the interest paid on the loan taken. As we have so far not had any occasion to raise loans to find the money required for purchasing the available debentures we have had all the advantages of such an investment without having to set off anything even on account of the loss representing the difference in interest. The continuance of this purchase also dispenses with the need for investments in other forms of sterling securities (War Loan Bonds etc) which Mr. Datta considered desirable and the Secretary of State has also advised us to adopt, as the investment in Railway debentures has this advantage over other forms of sterling investments viz., that the former are realisable at par when the Railway Loan is redeemed, and therefore entails no loss to us on account of market fluctuations as in the case of other securities. We may in these circumstances continue purchasing the Railway Debentures.

5. Viewed from the Ways and Means or Resource stand point, there can be no inconvenience or disadvantage to counteract the advantages of affording a means of profitable investment to the Sinking Fund and of having practically assured the redemption of the debenture loan to the extent purchased. After the purchases so far reported, we ~~have~~ had with Messrs.

Serial No.

Messrs. Coutts & Co., on 1st October 1919 a cash balance of £2,08,182-3-7. On account of exchange difficulties no portion of our London balance has for some time past been transferred to India and this accounts for the large accumulation. Under the recent arrangements with the Kolar Gold Mining Companies, half the royalty on gold and also the recoveries from the mines on account of Water Supply and Kolar Gold Fields Police are now received in India. The need for transfer of funds from London to India is now therefore reduced to the extent of the sums received in India. Even the amounts that continue to be received in London are likely to be required for Capital payments Outside India. The question for consideration is whether the Ways and Means position requires that the surplus balance, after meeting these requirements, should be transferred to India or whether it may be utilized for investment in Railway Debentures to the extent available. Owing to the present unfavorable exchange between the sterling and the rupee, transfer of funds to India is not desirable at least till the results of the deliberations of the Exchange Committee is known, as such transfer involves considerable loss. The latest Financial Review shows that to finance Capital Works in future, loans have to be raised. By raising loans in India and making payments on Capital Account out of revenue

Serial No.

revenue realised in England, the need to transfer any portion of our London balance to India will be considerably minimised if not altogether avoided. This balance is earning 2¾ per cent interest. The investment of this balance in these debentures will not only bring in a better income to the State but will secure all the other advantages mentioned above, of investment in these debentures. It will avoid the tremendous loss to be incurred by transfer of funds to India.

6. The progress of the purchases so far effected gives no reason to apprehend any serious disturbance of the Ways and Means position by having to draw largely on the available balance in London. The annexed statement of purchases so far made shews that the largest batch purchased in any month was for £90,000 in May 1917 and from July 1918 onwards the purchases have been only in small instalments of about £1,000 per month. So far need has not been felt even for the overdraft arrangement with Messrs. Heutts & Co., Mr. Datta has demonstrated in his notes that the purchase is profitable though we have to borrow for the purpose and even if the London Bank balance is exhausted by these purchases, facilities exist for raising the amount required to meet our demands in London on the security of the debentures purchased and to be purchased.

NOTE—Contn. sheet.

Serial No.

7. Mr. Datta has suggested that the sterling investment held by us on account of the surplus investment account may be exchanged for the rupee securities held by the Controller of Currency on account of the Railway Loan Sinking Fund as thereby we may ~~sekk~~ sell the rupee securities and strengthen our Indian cash balance with the sale proceeds. The whole of the Sinking Fund investment at present consists of 3½% securities, except for a small holding of Rs.3,50,000 of 4% Conversion Loan Notes of 1916-17 and 3% notes of 1896 for Rs.10,66,100, and we have now been exhausting by sale 3½% stock belonging to the Surplus Investment Account owing to its present depreciated value.

8. The nominal and market value of the securities now held by us on account of the Surplus Investment account is shown in the following statement.

P.T.O.

(9

G. R. S. III-2]

General and Revenue Secretariat. | G. O. File No. 246 of 1918.

Serial No.

No.	Description of Securities.	Nominal value.	Market Value.
1.	3½% Government of India Sterling Loan	17,13,000	10,19,280
2.	3½% Government of India Rupee Securities.	3,23,900	2,10,535
3.	5% First Indian War Loan ...	42,58,400	38,52,560
4.	5½% War Bonds 1921	15,00,000	15,00,000
5.	5½% War Bonds 1925	7,50,000	7,50,000
6.	Do. 1928	7,47,100	7,69,513
7.	4% Southern Mahratta Railway Debentures	33,28,200	21,00,466
8.	4% Municipal Loan, Madras ...	3,00,000	2,25,000
9.	Do. Calcutta ...	4,00,000	3,12,000
10.	Bombay Improvement Sterling Bonds.	4,69,500	3,33,866
11.	Fixed Deposits in the Mysore Bank	10,00,000	10,00,000
12.	Shares in the Mysore Tannery ...	53,560	48,204
13.	Bangalore Woollen and Cotton Mills	7,600	9,120
14.	Spinning and Manufacturing Co., Limited.	38,500	61,600
		1,48,89,760	1,21,92,144

There is practically no market for item 1 in the above list. We will be exhausting item 2 before the close of the calendar year by sale to Controller of Currency in the usual course and part of the notes are already with him. 8 to 10 are not easily saleable. 11 to 14 are not for realisation now and 7 is kept and added to for an altogether different purpose. We have only items 3 to 6 - the War Loan Notes and

NOTE—Contn. sheet.

Serial No.

bonds available for sale. they are easily saleable in the market and may therefore be reserved for realisation in the open market whenever the need for doing so is felt.

9. As detailed in para 3 supra the sterling equivalent of the Rupee Securities for the Railway Loan Redemption Sinking Fund calculated at 1s. 6d. the rupee is £535,360 and the face value of Railway Debentures held is £221,880. The latter will yield interest at 4 per cent and the accumulated value of these debentures calculated at this rate of interest will in 1936 when the Railway Loan is redeemable amount to £4,23,800. The accumulated value of the sterling equivalent of our rupee securities held in the Sinking Fund, viz., £5,35,360, reckoning interest at only 3 per cent per annum will in 1936 be £8,71,880. The aggregate accumulated value of both will therefore amount to £12,95,680 which would be in excess of £1,200,000 by £95,680. If therefore we could find some means of converting our rupee securities and of holding them in sterling equivalent either as sterling securities or as sterling deposits so that they would accumulate to the sum specified by 1936 we would thereby arrange for liquidating our liability in respect of the Railway Loan without the fluctuations in the rate of exchange or the fall in the price of rupee securities affecting the transactions pertaining to this loan.

It is a point therefore for consideration whether

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Serial No.

whether the following expedients may not be adopted:-

(i) The interest falling due on our rupee securities in the Sinking Fund may in future be invested in Sterling Deposits the sterling equivalent being drawn from our Gold Reserve in London and the amount of interest paid in India being added to our Indian Cash balance.

(ii) To relieve as much as possible of our rupee securities in the Sinking Fund by disposing of them by sale or otherwise as may be feasible, and add correspondingly to our sterling deposits. This, of course, will be gradual.

It may not be impracticable to find demand for Sterling Deposits repayable at 3 per cent interest and the Secretary of State is not likely to object to a portion of our Sinking Fund being in sterling Deposits instead of in rupee or other securities. The question of exchange is engaging the serious attention of the authorities concerned and it is not likely that the prevailing high rate will continue. Till relief in this direction can be expected we may advantageously go on adding to our sterling deposits by withdrawing the surplus from our gold reserve or even transfer of funds from India to England. If at the same time we find it possible to purchase the Railway Debentures also we may reduce correspondingly our sterling deposits or treat the excess as part of our surplus investment and add to our India cash balance by selling the rupee securities forming part of the surplus investment.

T. Satyanarayana Murty
Offg: Comptroller.

NOTE—Contn. sheet.

Read from Hilton 27-10-19

SAM.

25-10-19

(12

Statement of Southern Mahratta Railway Debenture Stock purchased by Government through Messrs. Coutts & Co.,

Date of purchase	Amount of Stock purchased	Rate per cent	Net value in Sterling	Remarks
1917	£		£ sh d	
May	10,000	74	7,474-10- 6	
"	50,000	74¼	37,497-10- 0	
"	40,000	74 3/8	30,048-12- 6	
June	3,380	74	2,526-17- 6	
"	32,000	74 5/8	24,150-18- 6	
September	33,000	76 3/4	25,582-10- 3	
"	15,000	77	11,666- 4- 6	
December	1,000	75½	760-10- 0	
"	1,000	75½	760-10- 0	
"	1,000	75½	760-10- 0	
1918				
February	1,000	75	757-14- 6	
March	2,500	75	1,894- 4- 0	
June	12,500	73⅝	9,311-14- 3	
July	1,000	73⅝	745- 3- 3	
August	1,000	73⅝	745- 3- 3	
November	500	77	389- 2- 0	
1919				
June	3,000	75½	2,288- 3- 0	
"	500	75½	381-11- 3	
"	1,000	75	756-14- 6	
15th August	1,000	72½	732-12- 0	
21st "	3,000	72½	2,197- 4- 0	
20th September	500	73	369- 0- 0	
1st October	8,000	71¼	5,757-10- 6	
Total	£ 2,21,800		£ 167552-10-3	

3361

G. R. S. III-2]

General and Revenue Secretariat.

97 File No. 246 of 191[illegible]

(13)

Serial No.

Orders have not been passed on the Unofficial Note of the Comptroller on the previous page. This had been worked by the file keeper.

SRS
Jon
19.11.

Await receipt of order in the note submitting the Treaty in this connection

R
19.4

Have orders been passed on the Treaty note?

mab
19/3/20

In M&K
D1:277?
D44?) cont-fusi 14/8
Issue 6/11
C7552-1915

In further action see file 5219
[illegible]

By

NOTE—Contn. sheet.

G.F. 216-18-1.

D 3269/14

Please address all future communications to the Comptroller to the Govt. of H.H. the Maharaja of Mysore.
In reply to this Comn. please refer to
No..... 6
Books 3345 4e/-1

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Dated, Bangalore, the ~~xxx~~ 4th June 1919.

Fin. Secy JUN 18 FROM

71984

M. N. KRISHNA RAO, ESQ., B.A.,

Comptroller to the Government of

His Highness the Maharaja of Mysore.

To Rajamantrapravina
Dewan Bahadur J. S. Chakravarti....., ESQ., M.A., F.R.A.S.,
Secretary to the Government of Mysore,
Financial.....*Department.*

SIR,

In continuation of my letter No.1715/Bk. dated the 15th December 1918, I have the honour to enclose a copy of a cablegram which I received to-day in which Messrs. Coutts & Co., report that they have bought further Railway Debentures of our Loan for £3000/-. The face value of ~~the~~ total Debentures so far purchased including the purchase now reported is --- £207,880/-.

I have the honour to be,

Sir,

Your most obedient servant,

Comptroller.

CV/5-6

WD A 0610—GPB—5,000—10-8-17

C. O. 42-Rec.—17]

.....Department

191

FROM

M. N. KRISHNA RAO, ESQ., B.A.,
Comptroller to the Govt. of
H. H. the Maharaja of Mysore.

To

.....ESQ.,

Secretary to the Govt. of Mysore,

Dept.

Dated

Despatched

Received

No.....

Subject matter.

115

Copy of cablegram dated the 5th June 1919 from Messrs. Coutts and Co., London, to the Comptroller in Mysore, Bangalore.

We have bought pounds three thousand Madras Southern Mahratta Debenture stock 1936 at seventy five and one half costing two two eight eight pounds three shillings. Coutts.

" Copy.

A. Venkatasubbiah, Bombay 5/6/19.

for Superintendent. Comptroller's Office,

Records Section.

Q.J. 246-16

D 336 16

Q.J. 246-16-2

Please address all future communications to the Comptroller to the Govt. of H.H. the Maharaja of Mysore.
In reply to this Comn. please refer to
No. Books. 3471

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Dated, Bangalore, the 14th June 1919.

FROM

73310

M. N. KRISHNA RAO, ESQ., B.A.,

Comptroller to the Government of
His Highness the Maharaja of Mysore.

To Rajamantrapravina
Dewan Bahadur J.S. Chakravarti....., ESQ., M.A., F.R.A.S., etc.
Secretary to the Government of Mysore,
Financial .....*Department*

SIR,

In continuation of my letter No.3365/Books dated 5th June 19, I have the honour to report for the information of Government that --- Messrs. Coutts & Co., have further purchased 4% Madras & Southern Mahratta Railway Debenture Stock 1936 of the face value of £500/- (Five hundred only) at 75½%.

The total quantity so far purchased including this amount is of the face value of £208,380/-.

I have the honour to be,

Sir,

Your most obedient servant,

For Comptroller.

CV/19-6

WD A 0610—GPB—5,000—10-8-17

C. O. 42-Rec.—17]

.....Department

191 .

FROM

M. N. KRISHNA RAO, ESQ., B.A.,
Comptroller to the Govt. of
H. H. the Maharaja of Mysore.

To

.....ESQ.,

Secretary to the Govt. of Mysore,

Dept.

Dated

Despatched

Received

No.....

Subject matter.